

LA CONNER SCHOOL DISTRICT NO. 311
Skagit County, Washington
September 1, 1990 Through August 31, 1992

Schedule Of Findings

1. District Payroll Charges Should Comply With Federal Regulations

The district improperly charged its budgeted payroll costs as actual payroll costs to the Federal ECIA Chapter 1 and Department of Education PL 874 programs without adequate support. Charges to federal programs are processed through the accounts payable and payroll systems. Our testing of charges through these systems included identification of the source, and determination of whether the payroll costs to federal programs represented time actually spent on federal program activities. Payroll charges for split funded personnel in fiscal year 1990-91 were charged according to an approved budget and preliminary personnel assignments. This practice results in recording the budgeted payroll costs as actual payroll costs without adequate support for these charges.

The U.S. Office of Management and Budget (OMB) Circular A-87 states that:

Salaries and wages of employees chargeable to more than one grant program or other cost objective will be supported by appropriate time distribution records. The method used should produce an equitable distribution of time and effort.

District administrators were unaware of the requirement at the time.

In the absence of a system that meets the federal requirements, salary and benefits charged to federal programs cannot be supported by documentation of time actually spent on activities allowable for federal programs. This lack of adequate documentation could result in payroll costs being charged to federal programs which varies from resources that were actually dedicated to that program.

The absence of authenticated time and effort reports has resulted in questioned costs for all split funded personnel's salary and benefits charged for fiscal year 1990-91. Testing of the fiscal year 1991-92 payroll expenditures did not result in any questioned costs due to the implementation of improvements to the district time and effort reporting system.

We recommend the district work with the Department of Education and Superintendent of Public Instruction to resolve the questioned costs mentioned above.